

Fiscal Services Division Legislative Services Agency Fiscal Note

HF 2487 - Comprehensive Health Association Coverages (LSB 5318 HV.1)
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 Fiscal Note Version - Revised

Description

House File 2487 authorizes the Board of Directors of the Iowa Comprehensive Health Insurance Association to designate insurers for purposes of the Association membership and the new insurer members are authorized to offset their premium tax liability by the amount of their Association assessment in the same manner as current insurer members.

The Bill requires the Association insurer members to utilize 20.0% of the premium tax offset for each of the five years following the Association assessment. Currently, Association insurer members utilize 100.0% of the offset in the year following the assessment if the offset is less than 20.0% of their premium tax liability for that year.

The Bill also changes the premium rate to be charged by requiring the rate to be based upon the individual insurance market. Under current law, the rate is based upon extra morbidity and administration expense for risks insured in the Association.

Assumptions

1. The premium taxes paid by Association insurer members are reduced by the assessment paid by the insurer members to the Association.
2. Each year's assessment is less than 20.0% of an Association member's annual premium tax liability.
3. Under current law, Association insurer members reduce their current premium tax liability by 100.0% of their prior years Association Assessment.
4. Beginning in FY 2005, the Association insurer members will reduce their premium tax liability by 20.0% of their assessment for each of the five years following the Association assessment.
5. The Board will increase the number of insurers in the Association.
6. Premium rates will be reduced to reflect the individual insurance market, thereby, increasing the Association membership assessment.
7. The number of policies issued by the Association will increase requiring an increase in the assessment for Association insurer members.
8. The loss experience of the Iowa Comprehensive Health Insurance Association will be similar to the loss experience of the Iowa Individual Health Benefit Reinsurance Association.
9. Compared to current law, the total Association membership assessment will change as follows:

Calendar Year Assessment	Premium Tax Year Credit	Fiscal Year Impacted	Current Law Estimated Assessment	Proposed Law Estimated Assessment	Estimated Assessment Proposed Law vs. Current Law
2004	2005	2005	\$ 3,000,000	\$ 3,000,000	\$ 0
2005	2006	2006	1,400,000	1,400,000	0
2006	2007	2007	2,000,000	2,700,000	700,000
2007	2008	2008	2,000,000	5,600,000	3,600,000
2008	2009	2009	2,000,000	8,500,000	6,500,000
2009	2010	2010	2,000,000	11,500,000	9,500,000
2010	2011	2011	2,000,000	14,600,000	12,600,000

10. The total Association membership assessment will continue to increase beyond calendar year 2010.

Fiscal Impact

House File 2487 will impact the estimated General Fund revenue compared to the current estimate for each fiscal year as follows:

<u>Calendar Year Assessment</u>	<u>Premium Tax Year Credit</u>	<u>Fiscal Year Impacted</u>	<u>Current Law Estimated Premium Tax Credit</u>	<u>Estimated Proposed Premium Tax Credit</u>	<u>Estimated General Fund Revenue Impact</u>
2004	2005	2005	\$ 3,000,000	\$ 600,000	\$ 2,400,000
2005	2006	2006	1,400,000	880,000	520,000
2006	2007	2007	2,000,000	1,420,000	580,000
2007	2008	2008	2,000,000	2,540,000	- 540,000
2008	2009	2009	2,000,000	4,240,000	- 2,240,000
2009	2010	2010	2,000,000	5,940,000	- 3,940,000
2010	2011	2011	2,000,000	8,580,000	- 6,580,000

General Fund revenue beyond FY 2011 will decrease further as the Association membership assessment increases and the Association insurer members reduce their premium tax liability by the amount of their assessment.

Source

Department of Commerce Insurance Division

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
